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FM AMEMBASSY VIENNA
TO RUEHC/SECSTATE WASHDC IMMEDIATE 5934
INFO RUEHZL/EUROPEAN POLITICAL COLLECTIVE

UNCLAS SECTION 01 OF 02 VIENNA 000055

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E.O. 12958: N/A

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SUBJECT: SPO ANNOUNCES MINISTERS FOR GRAND COALITION

REF: VIENNA 45 AND PREVIOUS

Summary

11. (SBU) The SPO has presented its six ministers for the Grand Coalition, which President Fischer will swear in on January 11. The SPO ministers, none of whom have previous cabinet experience, reflect a balance between key Gusenbauer advisors and powerful state bases. There remains considerable criticism from within the SPO's own ranks regarding the party's compromises on key issues -- abolition of university fees and cancellation of the Eurofighter contract -- as well as the OVP's hold on key ministries (Foreign Affairs, Interior, Finance, and Economy). Gusenbauer has attempted to rebut this criticism, maintaining that the SPO controls ministries (Education, Social Affairs, and Transportation and Infrastructure) that are vital to Austria's future economic and social development. Gusenbauer is unarguably starting from a disadvantageous position. However, the OVP team has lost its charismatic Finance Minister, Karl-Heinz Grasser, and its supreme tactician, Chancellor Wolfgang Schuessel. It will need one of its ministers to step up to be Gusenbauer's equal. End Summary.

The New SPO Ministers

12. (U) On January 10, SPO Party Chairman and Chancellor-designate Alfred Gusenbauer presented the future SPO ministers in the Grand Coalition. The announcement came a day after the OVP put forward its team of seven ministers (reftel). President Heinz Fischer will swear in the new government on January 11 and the government will present its program to Parliament on January 16.

13. (SBU) The SPO will head the following six ministries:

- Defense (Norbert Darabos, SPO Co-Party Manager)
- Justice (Maria Berger, EU Parliamentarian)
- Social Affairs (Erwin Buchinger, Salzburg State Councilor)
- Transportation and Infrastructure (Werner Faymann, Vienna State Councilor)
- Education, Art, and Culture (Claudia Schmied, Board Member of Kommunalkredit Bank)
- Womens' Affairs (Doris Bures, SPO Co-Party Manager)

None of the future SPO ministers have cabinet experience. Darabos and Bures have broad and deep connections to the federal SPO through their positions as Co-Party Managers. Both served as key advisors to Gusenbauer. Earlier in the coalition discussions, rumors circulated that Buchinger was a candidate to be Economy Minister, or even Finance Minister. Buchinger will be the SPO's symbol for a more "socially fair" economic policy, a primary slogan during the election campaign. The SPO's choices for the ministerial positions

reflect the need to balance the federal SPO with powerful SPO bases (especially the states of Vienna and Salzburg). Gusenbauer had also publicly committed to reserving at least 50% of the portfolios for women.

Internal SPO Discontent Continues

¶4. (SBU) There continues to be substantial criticism within the SPO rank and file that the party negotiated away too much on substantive issues, as well as on ministerial portfolios. The SPO climbed down significantly from its initial negotiating position on two key issues -- cancellation of the Eurofighter contract and abolition of university fees. Students, including the Social Democratic youth organization have vociferously attacked the retention of the fees as a sell-out. Trade unions are lukewarm about the Grand Coalition, especially since the OVP will control all the key economic ministries (Finance, Economy and Labor, and Agriculture). Commentators noted that the SPO Executive Board voted to approve the Grand Coalition with only 75%. The Chairman of the Upper Austria SPO, Erich Haider, expressed "serious concerns with the negotiating results, which the OVP dictated."

¶5. (SBU) Gusenbauer has tried to fend off the criticism, noting the SPO will control ministries (Education, Social Affairs, Transportation and Infrastructure) that are key for Austria's future growth and development. A poll indicates that a majority of Austrians support the compromise on university fees, which allows students to perform 60 hours of community service per semester in lieu of paying the fees, if they so choose.

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The New Opposition Speaks Out

¶6. (U) The opposition parties -- Greens, Freedom Party (FPÖ), and Alliance Future Austria (BZÖ) -- have criticized the formation of the government, all claiming that the SPO compromised too much with the portfolio distribution. BZÖ Chairman Peter Westenthaler claimed that the BZÖ had been a better balancing force in the outgoing OVP-BZÖ government. Several prominent Greens, dismayed by the OVP's hold on key ministries and the SPO's compromises on the student fees and Eurofighter issues, even suggested that the Greens would support a minority SPO government, should the SPO decide not to go through with the Grand Coalition.

Comment

¶7. (SBU) While many characterize Gusenbauer's coalition as a pyrrhic victory for the SPO, it is far from clear how the dynamics of the new government will evolve. The OVP unarguably controls the "power ministries" in the Austrian political context. However, the OVP ministers, with the exception of Agriculture Minister Josef Proell, do not possess the media presence of former Finance Minister Karl Heinz-Grasser or the tactical skills of outgoing Chancellor Wolfgang Schuessel. Gusenbauer most likely believes that with Social Democrats serving as State Secretaries in several OVP ministries, e.g. Finance, he will somehow be able to monitor and weigh in on ministerial-level decisions. Nevertheless, with significant opposition from within the SPO, the Grand Coalition is starting from a difficult position.

McCaw